Supreme Court, U.S.
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No. 88-1335

IN THE

Supreme Court of the United States

OCTOBER TERM, 1988

GETTY PETROLEUM CORP.,

Petitioner,

—against—

BARTCO PETROLEUM CORP.,
NICHOLAS J. BARTOLOMEO,
ANTHONY GOLIO,

Respondents.

RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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STATEMENT PURSUANT TO RULE 28.1 OF THIS COURT

The only respondent that is a corporation, Bartco Petroleum Corp., is wholly-owned by respondent Nicholas J. Bartolomeo.

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PRELIMINARY STATEMENT

1. This matter deals primarily with the issue of whether Congress intended punitive damages to be an available remedy under the Lanham Act, 15 U.S.C. §§ 1051 et seq., dealing with trademarks.

The underlying action was commenced in January 1986. Petitioner alleged violations of the Lanham Act, and various pendent state claims. All of the state pendent claims (except breach of contract) were voluntarily withdrawn by petitioner prior to the conclusion of the first trial [App. at A5-A8].[1]

There were two jury trials of this action. At the first trial in June 1987, the first jury assessed punitive damages against respondents under the Lanham Act totalling $7,400,000.

Respondents timely moved for a remittutur or for a new trial on the ground of excessiveness [JA 1323]. By order dated June 22, 1987, the district court granted the motion but ruled on the merits that punitive damages were available under the Lanham Act [App. at B3 - B6]. This ruling was plainly on the merits, and did not rely upon or refer to Fed.R.Civ.P. 51; indeed, the district court subsequently noted, without referring to Rule 51, that it believed its holding on the merits was compelled by a decision in its own circuit [App. at C3-C4].

During a conference held prior to the second trial, respondents requested the district court to certify the issue of availability of

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[1] References to the Appendix filed in this Court by petitioner are designated as [App. at ____]. References to the Joint Appendix filed in the court of appeals are designated as [JA ____].

Petitioner acquired the trademark from Getty Oil Company, an unrelated company, and did not itself develop the underlying product [App. at A-4]. Although petitioner claims that respondents were "bootlegging" gasoline [Petition at 9], the district court refused to permit petitioner's counsel to use that term, or to suggest that quality of gasoline was in issue [A 548]. Furthermore, no evidence of quality of petitioner's gasoline, or of the unbranded gasoline, was permitted.

punitive damages under the Lanham Act, pursuant to 28 U.S.C. § 1292(b). The district court declined to certify the question [JA 213], and a second trial - limited to the amount of punitive damages under the Lanham Act - was held between July 13 and 15, 1987 before a different jury.

At the conclusion of the second trial, a verdict was rendered against respondents totalling $2,005,000. This constituted over 52, 32 and 5 times the amount of the compensatory damages assessed against respondents Bartco, Bartolomeo and Golio respectively.

Respondents served a post-trial motion, which *inter alia* sought judgment notwithstanding the verdict on the ground that the Lanham Act did not permit punitive damages [JA 204-206, 213, 216-220]. In response, petitioner did not refer to either Rule 51 or Rule 49(a), but argued that Lanham Act punitive damages were permitted under a court of appeals decision in the governing circuit. Moreover, petitioner did not claim that its punitive damage award was based upon any state claim.

Petitioner's first reference to Rule 51 was in its brief to the court of appeals. In addition, petitioner's claim that it had not withdrawn its state unfair competition cause of action - upon which, petitioner claims, punitive damages are available - was also raised for the first time in its brief to the court of appeals.

2. In an exhaustive opinion, the court of appeals held that (a) Rule 51 did not bar consideration of respondents' argument that Congress did not intend punitive damages to be a permissible remedy under the Lanham Act; (b) the statutory language, the legislative history, and the unanimous view of the other circuits that had considered the issue all indicated that the Lanham Act did not authorize the imposition of punitive damages; and (c) the punitive damage award could not be affirmed on the theory that it was based upon a state unfair competition cause of action, because that cause of action was expressly withdrawn by

petitioner during the first trial, and because there were no jury instructions as to the elements of such cause of action [App. at A].

Petitioner then filed a petition for rehearing in which it claimed, for the first time in this entire litigation, that the punitive damage award could be sustained pursuant to Fed.R.Civ.P. 49(a). This argument was based upon the questionable assertions that (a) Rule 49(a) applies even to claims that have been expressly withdrawn; (b) by proving trademark infringement under the Lanham Act, petitioner of necessity also proved all of the elements of an unfair competition cause of action under New York law; and (c) punitive damages were available thereon. The court of appeals denied the petition for rehearing - mistakenly described as having been made by respondent Bartco [App. at E].

ARGUMENT

The decision of the court of appeals exhaustively reviewed the language, legislative history and uniform case law concerning the availability of punitive damages under the Lanham Act, and its decision does not conflict with any decision of this Court or any other court. Petitioner's Rule 51 arguments are foreclosed by this Court's decision in *City of Newport* v. *Fact Concerts, Inc.*, 453 U.S. 247 (1981), and the claimed conflict is illusory. Petitioner's Rule 49(a) arguments begin from unaceptable premises, and the record does not otherwise permit proper resolution of such issues by this Court. Further review is therefore unwarranted.

In addition, assuming *arguendo* that this court decides to hear this case, respondents will raise two issues that were timely presented to and rejected by the district court and not passed upon by the court of appeals: (a) whether the Excessive Fines or Due Process Clauses of the United States Constitution place any restrictions on the amount of punitive damages or in the way they are computed, an issue the Court has agreed to consider. *Browning-Ferris Industries of Vermont, Inc.* v. *Kelco Disposal, Inc.*, Dkt. No. 88-556; and (b) whether the issue of the amount of punitive damages (the scope of the second trial) was an issue "so distinct and separable from the others that a trial of it alone

may be had without injustice." *Gasoline Products Co.* v. *Champlin Refining Co.*, 283 U.S. 494, 500 (1931).[2]

1. Petitioner's Rule 51 arguments are undermined by this Court's decision in *City of Newport* v. *Fact Concerts, Inc.*, 453 U.S. 247 (1981), which, as the court of appeals observed, involved "a similar procedural history" [App. at A9]. In that case, petitioner had not proposed a jury instruction concerning the availability of punitive damages, but raised the issue in a post-trial motion. *Id.* at 253. The district court noted that the issue was not timely under Rule 51, but reached the merits nevertheless. *Id.*[3] The court of appeals likewise decided the merits, after noting that none of the factors that ordinarily bar review of untimely-raised issues was present. *Id.* at 254-255.[4]

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[2] Respondents raised the first issue by a proposed jury instruction requiring the amount of punitive damages to be "reasonably related to, and not disproportionate" to the amount of actual damages, expressly relying upon the Amendments cited above [JA 153]. Nevertheless, the actual charge that was given merely stated that punitive damages were to punish and deter, and to set an example and warning to others, and that "the amount assessed should be sufficient to accomplish the purpose, and at the same time should not be in an amount in excess of the sum that is likely to accomplish the purpose" [JA 561-562].

Prior to the second trial, respondents raised the *Gasoline Products* issue in a letter to the district court [JA 200-203] that the district court, by order [JA 197-199], made part of the record.

As prevailing parties on the punitive damages issue, respondents may urge, without a cross-petition, "any ground properly raised below whether that ground was relied upon, rejected, or even considered by the District Court or the Court of Appeals." *Washington* v. *Confederate Bands and Tribes*, 439 U.S. 463, 476 n. 20 (1979), since the judgment of the court of appeals would not be changed thereby. *Chevron, U.S.A., Inc.* v. *NRDC*, 467 U.S. 837, 842 n. 7 (1984).

[3] The instant case is a stronger vehicle for not applying Rule 51, since petitioner did not urge its application to the district court and the district court did not refer to Rule 51.

[4] Even if the issue of availability of punitive damages was raised for the first time on appeal, the court of appeals would not have been precluded from considering it. "The matter of what questions may be taken up and resolved for

(Footnote continued)

Accordingly, in *City of Newport*, this Court reached the merits notwithstanding Rule 51. Disclaiming any reliance on the "plain error" doctrine that some lower courts had applied in such circumstances, 453 U.S. at 256 and n. 13, 257 n. 16, and observing that given the "evolving" nature of the boundaries of the substantive law in the area, *Id.* at 256, this Court reached the merits.

The same facts are present here. The district court reached the merits; the court of appeals also reached the merits; the "question was squarely presented and decided on a complete trial record [and] was argued by both sides to the Court of Appeals . . ." 453 U.S. at 257. Similarly, the dispute involves "a wholly separable issue of law, on which the jury rendered a special verdict susceptible of rectification without further jury proceedings." *Id.* at 256 n. 12.[5]

Petitioner's attempts to create a conflict are unavailing. Like *City of Newport*, this case does not involve "plain error" [App. at A10]. Accordingly, this case does not present the issue of whether "plain error" is a permissible exception to Rule 51.

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the first time on appeal is one left primarily to the discretion of the courts of appeal, to be exercised on the facts of individual cases. . . .[W]here the proper resolution is beyond any doubt, or where injustice might otherwise result," a court of appeal may resolve an issue not passed upon by the district court. *Singleton* v. *Wulff*, 428 U.S. 106, 121 (1976) (citations omitted). "[W]here questions of public importance are involved, appellate courts may *sua sponte* decide purely legal issues that are necessary to a just decision." *Cohen* v. *West Haven Bd. of Police Com'rs.*, 638 F.2d 496, 500 n.6 (2d Cir. 1980) (collecting cases).

[5] Petitioner's statement that respondents "twice proposed charges [concerning punitive damages] of their own" [Petition at 33] is disingenuous. At no time did respondents' proposed charges concede that punitive damages were available under the Lanham Act. Indeed, the second trial was held *after* the district court had rejected respondents' arguments that punitive damages were not available [JA 213], and it would have been presumptuous and possibly contemptuous for respondents to press this point by submitting a proposed instruction that was inconsistent with the district court's previously-stated conclusion. In short, the district court was well aware of respondents' arguments on the substantive issue, and reached the merits of the issue. The purpose of Rule 51 was therefore satisfied.

Moreover, several circuits have noted, consistently with the result reached here, that "plain error" is not the only exception to Rule 51, and that obvious instances of misapplied law can be corrected on appeal despite lack of compliance with Rule 51. *See, e.g., Osterneck* v. *E. T. Barwick Industries, Inc.*, 825 F.2d 1521, 1533 (11th Cir.) (where "error" is so fundamental as to result in a miscarriage of justice, or when the district court's instruction amounts to plain error" [citations and internal quotations omitted]), *affirmed on other grounds*, Dkt. No. 87-1201; *Air et Chaleur, S.A.* v. *Janeway*, 757 F.2d 489, 494 (2d Cir. 1985). *Cf. Williamson* v. *Handy Button Mach. Co.*, 817 F.2d 1290, 1295 (7th Cir. 1985) (*City of Newport* may create an exception where issue was contested and new trial not required); *Weaver* v. *Bowers*, 657 F.2d 1356, 1361 (3d Cir.)(en banc)("in unusual circumstances the courts of appeal also have inherent power to reach issues although not timely raised below"), *cert. denied*, 455 U.S. 942 (1982).[6]

Petitioner suggests that in *City of Newport*, this court merely explicated its exercise of its *own* discretionary certiorari authority. However, Rule 51 does not apply to proceedings in this Court since the Federal Rules of Civil Procedure "govern the procedure in the United States district courts . . ." Fed.R.Civ.P. 1. Not suprisingly, petitioner cites no cases in support of its claim that in *City of Newport*, this Court "limited its decision to circumstances in which it would review an issue by granting a writ of certiorari . . ." [Petition at 24-25]. Indeed, as shown above, the courts of appeal have uniformly held that *City of Newport's* application

[6] The suggestion [Petition at 25, 45] that the courts of appeal cannot *sua sponte* decide an issue for the first time on appeal, even though the issue is of a legal nature and the parties have not been hampered in preparing an adequate record, is belied by the cases. *See, e.g., Ralph Schrader, Inc.* v. *Diamond Intern. Corp.*, 833 F.2d 1210, 1214 (6th Cir. 1987); *Volkswagenwerk Aktiengesellschaft* v. *Wheeler*, 814 F.2d 812, 820-821 (1st Cir. 1987); *Hudnall* v. *Sellner*, 800 F.2d 377, 383 n. 5 (4th Cir.), *cert. denied*, 479 U.S. 1069 (1987), *rehearing denied*, 480 U.S. 941 (1987).

of Rule 51 is applicable to the lower courts as well. The claimed conflict is illusory.[7]

2. This case is an inappropriate vehicle for this Court to determine the applicability of Fed.R.Civ.P. 49(a). Neither the district court nor the court of appeals referred to such rule; ironically, in light of petitioner's argument that Rule 51 bars reaching the substantive issue, petitioner's Rule 49(a) claim was not presented until petitioner's petition for rehearing in the court of appeals.

More fundamentally, petitioner's Rule 49(a) argument is flawed for three reasons. First, Rule 49(a) was not intended to resurrect claims that were expressly withdrawn, but rather was intended to be applicable only where an incomplete special verdict was employed with respect to a cause of action that remained in the case. *See Anderson* v. *Cryovac, Inc.*, 862 F.2d 910, 915-916 (1st Cir. 1988). Second, petitioner presupposes - without any authority - that the elements of the state unfair competition cause of action are precisely coterminous with those of a cause of action for trademark infringement under the Lanham Act. In other words, petitioner erroneously assumes that by proving the federal claim, the state claim was automatically also established. Third, assuming *arguendo* that petitioner proved a *prima facie* case under state law, petitioner also incorrectly assumes that New York law would permit punitive damages thereunder.

In New York, a high standard is required to obtain damages - as opposed to injunctive relief - on an unfair competition claim based on infringing conduct. More specifically, even where the infringement is deliberate, the plaintiff must show actual confusion - not likelihood of confusion. *Perfect Fit Industries, Inc.* v. *Acme Quilting Co.*, 618 F.2d 950, 955 (2d Cir.), *cert. denied*,

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[7] Petitioner's reliance upon *Elwood* v. *Pina*, 815 F.2d 173 (1st Cir. 1987); *Emery-Waterhouse Co.* v. *R.I. Hospital Trust Nat. Bank*, 757 F.2d 399 (1st Cir. 1985); and *Barnett* v. *Housing Authority of City of Atlanta*, 707 F.2d 1571 (11th Cir. 1983) is misplaced. *Elwood* and *Barnett* did not involve "plain" error and (unlike the instant case) in both cases the district court had refused to address the merits. 815 F.2d at 176; 707 F.2d at 1581 n. 18. *Emery-Waterhouse* did not involve any error at all. 757 F.2d at 410, 411.

459 U.S. 832 (1982); *G.H. Mumm Champagne* v. *Eastern Wine Corp.*, 142 F.2d 499, 501 (2d Cir.), *cert. denied*, 323 U.S. 715 (1944); *Gemveto Jewelry Co., Inc.* v. *Jeff Cooper, Inc.*, 568 F.Supp. 319, 335 (S.D.N.Y. 1983) (Weinfeld, J.).[8]

Petitioner offered no proof at either trial to establish actual confusion by consumers. As Judge Learned Hand stated in *G.H. Mumm*, to obtain damages under New York unfair competition law for infringing conduct, "it is necessary to show that buyers, who wished to buy plaintiff's goods, have been actually misled into buying the defendant's . . ." 142 F.2d at 501. Nevertheless, petitioner offered no testimony from any purchaser of gasoline at any of the three gasoline stations, or from any consumer survey expert.

Thus, since petitioner's proof failed to establish a *prima facie* case for damages on a state unfair competition claim, it cannot rely upon such cause of action as an alternate basis for punitive damages. Petitioner's reference to *Hanover State Milling Co.* v. *D.D. Metcalf*, 240 U.S. 403, 413 (1916) ("the common law of trademarks is but a part of the broader law of unfair competition"), is unavailing, since this Court was merely explaining the historical origins of trademark law, and not purporting to hold that a *prima facie* case for damages under a state unfair competition claim involves the identical elements of a *prima facie* case for damages under the Lanham Act.

Assuming *arguendo* that petitioner established a *prima facie* case for damages under state unfair competition law, New York law demonstrates that punitive damages are unavailable. An Appellate Division case exemplifies this point. In *American Electronics, Inc.* v. *Neptune Meter Co.*, 30 A.D.2d 117, 290 N.Y.S.2d 333 (1st Dep't 1968), the Appellate Division reversed a punitive

[8] The sole New York case cited by petitioner, *Dell Publishing Co.* v. *Stanley Publications, Inc.*, 9 N.Y.2d 126, 172 N.E.2d 656 (1961), does not purport to set forth the necessary elements of an unfair competition claim under New York law. Moreover, *Dell* dealt with an action for injunctive relief, not damages, and nowhere refers to punitive damages.

damages award, "since no public right is involved and the underlying private wrong is susceptible of adequate compensation," citing *James* v. *Powell*, 19 N.Y.2d 249, 225 N.E.2d 741 (1967), and *Walker* v. *Sheldon*, 10 N.Y.2d 401, 179 N.E.2d 497 (1961).

The Appellate Division's reference to "adequate compensation" is highly significant, since § 35 of the Lanham Act, 15 U.S.C. § 1117(a), provides a plaintiff with powerful express statutory remedies in addition to recovery of actual damages.[9] However, New York law provides that where additional remedies are available to insure that a claim will be brought, punitive damages are not permitted. *James*, 19 N.Y.2d at 26, 225 N.E.2d at 747; *Walker*, 10 N.Y.2d at 404, 179 N.E.2d at 498; *Newburger, Loeb & Co., Inc.* v. *Gross*, 563 F.2d 1057, 1080 (2d Cir.), *cert. denied*, 434 U.S. 1035 (1978); *Koufakis* v. *Carvel*, 425 F.2d 892, 907 (2d Cir. 1970).[10]

Moreover, the record is inadequate for this Court in the first instance to resolve the Rule 49(a) issue. As the court of appeals observed, petitioner withdrew all of its claims except its Lanham

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[9] In the instant case, petitioner has fully benefitted from the remedies arsenal of the Lanham Act. Upon remand after the court of appeals' decision, the district court issued an amended judgment (which has been fully satisfied and is not being appealed) that awarded petitioner $111,924.50 as an enhanced recovery under 15 U.S.C. § 1117(a), and attorney fees of $130,710.62 under the same statute.

[10] These points were raised on appeal by respondents, but the court of appeals did not have to reach these issues because the state claims were no longer in the case [App. at A7-A9].

These matters were also raised by the defendants in *Getty Petroleum Corp.* v. *Island Transportation Corp.*, 862 F.2d 10 (2d Cir.), *cert. pending* Dkt. No. 88-1330. See Appendix in No. 88-1330 at C4-C10. Indeed, because these matters had not been resolved by the district court in that case, the Second Circuit remanded it, *Id.*, 862 F.2d at 14, but the district court on remand did not address these issues. In view of these circumstances, this Court should not treat the district court's implicit rejection of these arguments as an authoritative construction of state law, particularly where such state law is not statutory. *See, e.g., Brockett* v. *Spokane Arcades, Inc.*, 472 U.S. 491, 499-500 and note 9 (1985).

Act claim during the charging conference, and the first jury was not instructed as to the elements of a state unfair competition cause of action [App. at A7-A9]. Respondents did not seek to introduce any evidence on such state claim, including testimony showing absence of actual consumer confusion, or testimony that consumers consider gasoline to be a fungible product. Indeed, the district court precluded any evidence concerning gasoline quality (see note 1 above). Respondents would therefore be prejudiced if this Court were to assume that any such state claim had been proven.

3. On the merits of the only substantive issue presented by the petitioner (whether punitive damages are a permissible remedy under the Lanham Act), petitioner avoids any claim that the language of the statute, the legislative history, or relevant caselaw supports its position. The detailed discussion of the court of appeals [App. A12-A24] as to these matters does not require repetition here.[11]

Instead, without expressly using the phrase, petitioner argues that some inchoate "federal common law" authorizes the courts to fashion a punitive damages remedy. However, there is no general federal common law, *Erie R. Co.* v. *Tompkins*, 304 U.S. 64, 78 (1938), and this is particularly true with respect to trademarks. *United States* v. *Steffens*, 100 U.S. 82 (1879); *Rickard* v. *Auto Publisher, Inc.*, 735 F.2d 450, 458 n. 30 (11th Cir. 1984).

The two lower court cases cited by petitioner for this position [Petition at 60] have been undermined by this Court's subsequent decision in *Texas Industries, Inc.* v. *Radcliff Materials*, 451 U.S. 630 (1981), which teaches that the federal courts' power to create

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[11] This Court's consideration of the merits would not affect many actions, since few trademark actions are filed in the federal district courts. For the year ending June 30, 1987, of the 238,982 actions filed therein, only 1% (2,395) were trademark actions. Annual Report of the Director of the Administrative Office of the U.S. Courts, Schedule C-2 at 177, 180. Furthermore, review of the annotations suggests that many of these trademark actions seek only injunctive relief.

federal common law is restricted to very limited circumstances.[12] In conclusion, "federal common law" is too slender a reed to support punitive damages under the Lanham Act. To do so would ignore Congress' 26 years of deliberations concerning what should be the appropriate relief in trademark cases. By enacting a statute that does not expressly permit punitive damages yet expressly provides monetary relief in excess of a successful plaintiff's actual damages, "Congress has struck the balance for us." *Mobil Oil Corp.* v. *Higginbotham*, 436 U.S. 618, 623 (1978), *rehearing denied*, 439 U.S. 884 (1978).[13] Indeed, in *Fleischmann Distilling Corp.* v. *Maier Brewing Co.*, 386 U.S. 714, 719, 721 (1967), this Court observed that "in the Lanham Act, Congress meticulously detailed the remedies available to a plaintiff who proves that his valid trademark has been infringed. . . . Congress intended § 35 of the Lanham Act to mark the boundaries of the power to award monetary relief in cases arising under the Act."

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[12] These circumstances "fall into essentially two categories: those in which a federal rule of decision is necessary to protect uniquely federal interests and those in which Congress has given the courts the power to develop substantive law." *Texas Materials*, 451 U.S. at 640 (quotations and internal citations omitted).

The latter exception explains why punitive damages are permitted under the federal Reconstruction civil rights statutes: Congress expressly authorized the courts to fashion appropriate remedies, by its enactment of 42 U.S.C. § 1988.

[13] Even where the right alleged to have been violated is founded upon the Constitution rather than a statute, the fact that Congress has carefully crafted a comprehensive remedies provision counsels caution in permitting judicially-created remedies. *Bush* v. *Lucas*, 462 U.S. 367, 373-374, 378, 388 (1983).

CONCLUSION

The petition for a writ of *certiorari* should be denied.

Dated: Great Neck, New York
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